

VERMONT PENSION INVESTMENT COMMITTEE
October 24, 2013

VPIC Members Present:

STEPHEN RAUH, CHAIR

BETH PEARCE, VICE-CHAIR, Vermont State Treasurer

ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016

STEVEN JEFFREY, VMERS Representative, term expiring June 30, 2014

DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2014

VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2014

VPIC Member(s) Absent:

JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2015

VPIC Alternate Members Present:

KAREN PAUL, *Alternate* Governor's Delegate, term expiring June 30, 2016

KEVIN GAFFNEY, VSERS *Alternate*, term expiring June 30, 2016 – via telephone

THOMAS GOLONKA, VMERS *Alternate*, term expiring June 30, 2016

VPIC Alternate Member(s) Absent:

LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2017

Also attending:

Stephen Wisloski, Vermont State Deputy Treasurer

Matt Considine, CFA, Director of Investments

Katie Green, Investments Manager

Jaye Pershing-Johnson, Attorney General's Office

Chris Levell and Doug Moseley, NEPC LLC

Jeff Briggs, VSERS Board member

Monica Chiren, Clerk

CALL TO ORDER:

The Chair, Mr. Rauh, called the Thursday, October 24, 2013 meeting to order at 8:31 a.m., which was held in the 4th Floor Conference Room, 109 State Street, Montpelier, VT.

**ITEM 1: **Agenda Approval, Announcements, Minutes of September 24, 2013
Regular Meeting****

The Chair, Mr. Rauh, briefly reviewed the agenda. The agenda was approved as written. There were no announcements.

On a motion by Mr. Altemus, seconded by Mr. Johannesen, the Committee unanimously approved the minutes of the September 24, 2013, Regular Meeting, as amended.

ITEM 2: Director of Investments Report and Action Items

- **Contract Updates, Amendments and Renewals**
- **Review September Flash Report**

Mr. Considine indicated as of September 30, 2013 the total VPIC assets under management were \$3.75 billion. Mr. Considine indicated the rebalancing scheduled for the end of September went into October. Mr. Considine indicated as of October 31st the VPIC's portfolio allocation is projected to be 33% equities, 33% fixed income, 13.9% alternatives and 20.1% multi-strategy, compared to target allocations of 31.5%, 33%, 15.5% and 20% respectively.

Mr. Considine provided the Committee members the update from the conference call that was held with T. Rowe Price. NEPC reviewed with the Committee members the *Net of Fee Manager Return Analysis for T. Rowe Price*. NEPC responded to the questions as posed by the Committee members.

Mr. Considine indicated the Guggenheim contract has been signed by all parties and will take effect November 1, 2013. Mr. Considine responded to the questions posed by the Committee members relative to the transition from Post Advisory to Guggenheim.

Mr. Considine indicated there was one downgraded security in the PIMCO Core Plus account that fell within the limit for Director approval. It was agreed to allow PIMCO's request to have permission to retain the position was approved by the Director.

NEPC reviewed the September Flash Report and answered all questions posed by the Committee members. There was a discussion concerning benchmarks. The Committee discussed the recent market performance.

(Mr. Briggs entered the meeting during this agenda item.)

ITEM 3: Discussion Items/Updates

- **Vermont State Treasurer's Update**
- **VPIC Investment Policy Statement Project Update**
- **NEPC Investment Manager Watch List: Wellington EMD**

As a follow-up to the September meeting, Ms. Pearce indicated she was going to be providing a press release concerning CERES (Coalition for Environmentally Responsible Economies), which would include VPIC's support of the coalition's initiative. Ms. Pearce indicated the annual valuation meetings were held yesterday with the three

retirement systems. The Chair, Mr. Rauh, indicated Ms. Pearce would present additional information relative to this item during the next agenda item.

Ms. Pershing-Johnson reviewed with the Committee changes to the Investment Policy Statement. The Committee members requested that a comprehensive glossary be included in the document. It was indicated Ms. Pershing-Johnson would provide the final document at the November meeting so that the Committee members could approve it.

Mr. Levell indicated Wellington, EMD was still on the watch list and that they would provide an update at the next meeting.

NEPC and Ms. Pershing-Johnson provided the Committee members with an update on the RFP for real estate managers. NEPC indicated they will review the information with Matt, Katie and Jaye and provide additional information at the next meeting.

ITEM 4: Review FY 2013 Actuarial Reports- Implications for Asset Allocation, Expected Return/Risk, Cash Flow

The Chair, Mr. Rauh, reviewed with the Committee this agenda item and how the discussion would proceed. Ms. Pearce reviewed with the Committee members the changes to the GASB standards and the VMERS system. There was a discussion about the rate of returns and the funding status of the three systems. There was a discussion concerning the asset allocation for the VSTRS and VMERS systems. There was a discussion concerning the Select & Ultimate methodology. There was a discussion concerning the health insurance costs for the Teachers' system and the funding for it. There was a discussion relative to the cash flow for the three systems. NEPC indicated they will assemble information of the asset allocations for the New England states for comparison purposes.

(A recess was taken from 11:16 a.m. to 11:25 a.m.)

ITEM 5: Annual VPIC Policy Reviews

- **Review VPIC Operating Policies**
- **Review VPIC Standards of Conduct/Conflict Disclosure**
- **Review VPIC Education Policy**
- **Review VPIC Proxy Voting Guidelines**

Ms. Pershing-Johnson provided the Committee with the *Environmental, Social and Governance Initiatives*, *ETI (Economically Targeted Investments)*, *Vermont Based Investment Managers* and *Terrorist or Genocide-Linked Countries* policies. The policies were discussed with the Committee providing suggested changes to Ms. Pershing-Johnson. The Committee further discussed the policy on Vermont Based Investment Managers. Ms. Pershing-Johnson indicated she will incorporate the suggested changes.

On a motion by Mr. Jeffrey, seconded by Ms. Pearce, with the friendly amendment that the policy would be corrected grammatically the Committee unanimously approved the VPIC Policy on Vermont Based Investment Managers as amended.

Ms. Pershing-Johnson led the Committee in a discussion concerning the Policy on Investments in Terrorist or Genocide-Linked Countries. The Committee provided suggested changes. It was discussed how this issue is handled through the proxy voting.

On a motion by Ms. Pearce, seconded by Mr. Altemus, the Committee unanimously approved the VPIC Policy on Investments in Terrorist or Genocide-Linked Countries as amended.

(A luncheon recess was taken from 12:00 p.m. to 12:35 p.m.)

(Mr. Golonka, Mr. Jeffrey and Ms. Paul were not present at this time.)

Ms. Pershing-Johnson reviewed with the Committee the *VPIC Operating Policies*. Ms. Pershing-Johnson reviewed with the Committee the *VPIC Standards of Conduct/Conflict of Interest Disclosure*. The Committee discussed the *Education Policy*. There was a discussion relative to these policies. It was indicated if any Committee member had a question or concern they should contact Ms. Pershing-Johnson.

On a motion by Mr. Altemus, seconded by Mr. Hooper, the Committee unanimously approved the amended VPIC Operating Policies.

ITEM 6: Economic and Financial Market Dashboard

Ms. Green reviewed with the Committee the economic and financial market dashboard. The Committee discussed the positive and negative factors on the economic and financial market dashboard. Ms. Green reviewed with the Committee the charts on the economic and financial market dashboard.

ITEM 7: Public Comment/New or Other Business

None.

ITEM 8: Adjournment

On a motion by Ms. Pearce, seconded by Mr. Hooper, the Committee unanimously approved to adjourn the meeting at 1:35 p.m.

Respectfully submitted,

Monica Chiren, Clerk